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UNCLAS SECTION 01 OF 03 MEXICO 006934

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STATE FOR A/S SHANNON
STATE FOR WHA/MEX, WHA/EPSC, EB/IFD/OMA
STATE FOR EB/ESC MCMANUS AND IZZO
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/ARUDMAN
USDOC FOR ITS/TD/ENERGY DIVISION
TREASURY FOR IA (ALICE FAIBISHENKO)
DOE FOR INTERNATIONAL AFFAIRS KDEUTSCH AND SLADISLAW
STATE PASS TO USTR (EISSENSTAT/MELLE)
STATE PASS TO FEDERAL RESERVE (CARLOS ARTETA)
NSC FOR DAN FISK, CYNTHIA PENDLETON

E.O. 12958: N/A

TAGS: [ECON](#) [ELAB](#) [EFIN](#) [PINR](#) [PGOV](#) [MX](#)

SUBJECT: CALDERON,S BUDGET PROPOSAL SPARKS DEBATE OVER
SPENDING ON EDUCATION IN MEXICO

REF: A. MEXICO 5854

[B](#). MEXICO 6157

[C](#). MEXICO 6823

Summary

[1](#)1. (SBU) The level of educational spending in Mexican President Felipe Calderon,s 2007 budget proposal has set off a firestorm of protest. While the budget proposal increases real spending on education by 4.2% when compared to the approved 2006 budget, it decreases real spending by 1.2% when compared to an estimate of what was actually spent on education in 2006. The government,s decision to cut real spending on higher education has been particularly controversial. Lawmakers from across the political spectrum have publicly pledged to push for more resources for education. Not all Mexico experts believe that increasing funding for education is in the country,s best interest, arguing that other areas have a greater need for resources and that Mexico already spends a relatively large percentage of GDP on education. Some say that funds should be redirected from universities to lower levels since most of Mexico,s poor do not attend college. Many commentators have argued that increasing the educational budget will not improve the quality of education in Mexico, as the poor performance of the educational system stems from a lack of needed reforms. In what some characterize as backtracking, President Calderon on December 12 told Finance Secretary Agustin Carstens to work with Congress to find ways to boost educational spending in 2007. End Summary.

Educational Budget Spurs Criticism

[1](#)2. (SBU) The level of educational spending in the Calderon administration,s 2007 budget proposal has set off a

firestorm of protest (Ref C). The budget proposal increases spending on education by 4.2% in real terms when compared to the approved 2006 budget, but it decreases spending by 1.2% in real terms when compared to an estimate of what was actually spent on education in 2006. Criticism against the government's decision to cut real spending on higher education by 2.1% (compared to the approved 2006 budget) has been particularly vocal, as universities in Mexico wield significant political influence. Under Secretary of Expenditures Ernesto Cordero this week said publicly that universities were less in need of funding than junior high and high schools.

¶3. (U) Lawmakers from across the political spectrum, including some from Calderon's National Action Party (PAN), publicly rejected the 1.2% budget cut and pledged to amend the preliminary spending plan accordingly. Legislators from the two major opposition parties, the Democratic Revolutionary Party (PRD) and the Institutional Revolutionary Party (PRI), formed a working group to restore the slashed funds before the Chamber of Deputies approves a final budget later this month. The Chamber's Policy Coordination Board, controlled by the PRI, said it would present a resolution calling for the protection of the universities from any budget cuts. Even Education Secretary Josefina Vazquez Mota promised to urge the Finance Secretariat to reconsider the level of educational funding.

Not All Agree That Spending Should Be Increased

¶4. (SBU) A number of Mexico followers and experts on

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education have responded to calls for increased spending on education with criticism of their own. These commentators argue that dedicating more resources to education -- particularly to higher education -- is not the best use of Mexico's limited public funds. Indeed, many experts have criticized the government for diverting funding to the universities at the expense of Mexico's poor, most of who never attend college or even get a decent education, because of the lack of educational reform and funding for primary and secondary education (see Ref A). Many commentators have argued that increasing the educational budget will not improve the quality of education in Mexico, as the poor performance of the educational system does not stem from a lack of resources, but rather from a lack of needed reforms (e.g. modifying the way teachers are hired and the way they are evaluated, making spending more efficient, and making the teachers' union more democratic).

¶5. (SBU) Econoff on December 12 asked Dr. Carlos Munoz Izquierdo (strictly protect), the Director of the Institute of Research for Educational Development at Universidad Iberoamericana, what he thought about the proposed spending on education. Dr. Munoz began his response by noting that educational spending as a percentage of GDP in Mexico -- which the government estimates will amount to 7.1% this year if you include private spending -- is actually higher than in any other OECD country. Dr. Munoz said that this difference highlights the need to increase tax collection in Mexico.

¶6. (SBU) Although he did not explicitly say that he favored redirecting resources from universities to junior high and high schools, Dr. Munoz highlighted how enrollment at these levels was growing rapidly and how they face the largest coverage deficit. He added that there are many ways for universities to cut costs and improve the efficiency with which resources are spent, but he lamented that these institutions do not appear predisposed "to take this path."

¶7. (SBU) Dr. Munoz told Econoff that universities in Mexico have become more "democratic" over time but that they continue to favor more well-to-do students. He said that

many university students can in fact afford to pay some tuition. To illustrate his point, he noted that students at some Mexican universities pay around 25% of their tuition, but that the National Autonomous University of Mexico (UNAM) in Mexico City has been unable to implement such a policy because deans who have tried, have been forced by students to resign.

¶8. (SBU) Comment: While perhaps more a sign of the compromises Calderon had to make to win the election than an indication of prospects for educational reform, it is worth noting that the son-in-law of national teachers' mega-union leader Elba Esther Gordillo, Fernando Gonzalez Sanchez, was appointed Under Secretary of Basic Education. Gonzalez' appointment has generated considerable criticism in the press. It remains to be seen whether his appointment will represent an obstacle to achieving much-needed change in Mexico's educational system. Post's initial thoughts are that he will not dampen prospects for reform because such prospects are already relatively dim. End Comment.

The Government's Response

¶9. (SBU) In what some characterize as backtracking, President Felipe Calderon on December 12 told Finance Secretary Agustin Carstens to work with Congress to find ways to boost educational spending in 2007, according to local press reports. Other senior administration officials have said that they are willing to discuss budget proposals with

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interested members of Congress, and make moderate changes as appropriate. (Note: The fiscal responsibility law approved earlier this year says that if Congress approves more expenditures than are in the President's budget proposal, it has to identify a revenue source to offset the extra spending. End Note.) The Chairman of the Senate Finance Committee, Gustavo Madero (PAN), said publicly that he is confident that agreements will be reached and that the 2007 budget will be approved by all political parties. Carstens (strictly protect) told Econoff this week that these debates and protests over the budget are "a part of the game" to get more resources. He said it was possible that Congress would approve the budget by mid-December, but also possible that legislators would go home for the Christmas holiday and then look at the budget again at the end of the month.

Comment

¶10. (SBU) A political analyst from a leading Mexican think tank told Poloff this week that it is possible the government is using the educational budget as a negotiating strategy to get the PRD to sit down at the negotiation table. Universities are generally PRD strongholds, and PRD officials so far have been reluctant to negotiate on many issues.

¶11. (SBU) This debate highlights the need not only for educational reform, but also for fiscal and energy reform to generate more resources for education and social development. Senior Finance Secretariat officials have frequently reminded university deans and lawmakers that the 2007 budget has to be austere due to public pension liabilities, which each year consume a larger portion of the budget, and Pidieregas obligations (Note: Pidieregas are long-term productive infrastructure projects that are supposed to be ultimately paid for with the revenues generated by the projects themselves. End Note.)